PERFORMANCE EVALUATION AND MEASUREMENT PLAN (PEMP)

Incentive B - Award Fee

DESIGN, CONSTRUCTION, AND COMMISSIONING OF THE HANFORD TANK WASTE TREATMENT & IMMOBILIZATION PLANT

CONTRACT NO. DE-AC27-01RV14136

Evaluation Period 2014-B

July 1, 2014 to December 31, 2014

Bechtel National, Inc.
Richland WA

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Issued By:

K W. Smith 6/30/14

Kevin W. Smith
Manager, DOE Office of River Protection
Fee Determining Officia

Accepted By:

Margaret G. McCullough

Margaret McCullough
Project Director
Bechtel National Inc.

WTP PERFORMANCE EVALUATION & MEASUREMENT PLAN - PERIOD 2014-B
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PEMP General Information

A. Introduction

Contract No. DE-AC27-01RV14136 utilizes multiple, performance-based incentive fee components to drive Contractor performance excellence in completing the design, construction, and commissioning of the Hanford Waste Treatment and Immobilization Contract (WTP).

The Contract has five incentive fee elements:

- Incentive Fee A – Final Fee Determination for Work Prior to Modification No. A143
- Incentive Fee B – Award Fee
- Incentive Fee C – Milestone and Schedule Incentive Fee
- Incentive Fee D – Operational Incentive Fee
- Incentive Fee E – Enhancement Incentive Fee

WTP Incentive Fee Structure

Title	Fee Type	Performance Measure(s)	Fee Administration Terms and Conditions Reference
Final Fee Determination for Work Prior to Mod. No. A143	Fixed	Determined by Contracting Officer	Clause B.6, Attachment B-2-A
Award Fee:			
Award Fee - Project Mgmt Incentive	Award	Performance Measures in PEMP	Clause B.7, Atch B-2-B & PEMP
Award Fee - Cost Incentive	Award	Performance Measures in PEMP	Clause B.7, Atch B-2-B & PEMP
REA Settlement		Negotiated	Atch B-3
Schedule Incentive Fee:			
Activity Milestone Completion	PBI	Completion of Specified Milestones	Clause B.6, Atchs B-2-C, C.1, & Section J, Atch P
Facility Milestone Completion	PBI	Completion of Specified Milestones	Clause B.6, Atch B-2-C
Operational Incentive Fee:			
Cold Commissioning	PBI	Capacity	Clause B.6; Atch B-2-D; Section C, Standard 5, Table C.6-5.1
Hot Commissioning	PBI	Capacity	Clause B.6, Atch B-2-D; Section C, Standard 5, Table C.6-5.2
Enhancement Incentive Fee:			
Enhanced Plant Capacity	PBI	Plant Capacity Exceeding Treatment Capacity	Clause B.6, Atch B-2-E
Sodium Reduction	PBI	Metric Tons Sodium Reduced	Clause B.6, Atch B-2-E
Enhanced Plant Turnover	PBI	Reduced Plant Turnover Period	Clause B.6, Atch B-2-E
Sustained Production Achievement	PBI	Post-Turnover Operations Capacity	Clause B.6, Atch B-2-E

This PEMP covers Incentive B – Award Fee, which is updated semi-annually. The fee administration terms and conditions of A, C, D, and E performance incentives are self-contained within the Contract Section B, and thus, are not addressed in the PEMP. See the reference Table above.

The Award Fee provides a performance incentive for the Contractor and gives the Government a tool to identify and reward superior performance. The amount of award fee the Contractor earns is based on both an objective and subjective evaluation by the Government of the Contractor's performance as measured against the criteria contained in this Plan.

B. Roles and Responsibilities

The Award Fee process utilizes a three-level system to ensure full and fair performance evaluation.

Level 1.0 – Fee Determining Official (FDO)

Level 1.1 – WTP Contracting Officer (CO)

Level 2.0 – Performance Evaluation Board (PEB)

Level 3.0 – Performance Evaluation Monitors (PEMs)

Level 1.0 – Fee Determining Official: Manager, ORP

The FDO will: 1) appoint the PEB Chair; 2) review the recommendation of the PEB, consider all pertinent data, and determine the amount of Award Fee earned during each evaluation period; 3) notify the Contractor via the CO of performance strengths, areas for improvement, and future expectations; 4) approve the PEMP and any significant changes thereto; and 5) authorize the Contracting Officer to make the Award Fee Payment.

Level 1.0 ensures independent, executive-level review of the work of the Performance Evaluation Board and Performance Evaluation Monitors.

Level 1.1 – WTP Contracting Officer

The WTP CO will: 1) serve as a voting member of the PEB; 2) issue the PEMP on a semi-annual basis in accordance with Section B.7 *Award Fee Administration* of the Contract; 3) ensure that the Award Fee and Contract Incentives process is managed consistent with applicable acquisition regulations; 4) ensure that the Award Fee process meets the overall WTP business objectives; and 5) issue the award fee amount earned determination as authorized by the FDO in accordance with B.7 *Award Fee Administration.*

Level 2.0 – Performance Evaluation Board:

- WTP Federal Project Director, Chair
- WTP Deputy Federal Project Director, Field Operations
- WTP Contracting Officer
- Assistant Manager, Technical & Regulatory Support

The PEB reviews the PEM evaluations of Contractor performance, considers the Contractor's self-assessment if submitted, considers all information from pertinent sources, prepares draft and final performance reports, and arrives at an earned award fee recommendation to be presented to the FDO. The PEB may also recommend changes to the PEMP.

Performance Evaluation Board Chair:

The PEB Chair will be identified and appointed by the FDO. The Chair will: 1) review the performance monitors' evaluations and consider the Contractor's self-assessment; 2) analyze the Contractor's performance against the criteria set forth in the PEMP; 3) provide periodic interim performance feedback to the Contractor via the CO; 4) provide a recommendation on the Award Fee scoring and the amount earned by the Contractor; and 5) recommend any changes to the PEMP.

Performance Evaluation Monitors:

PEMs will consist primarily of WTP Federal Project Directors and ORP Division Directors. The PEMs will: 1) monitor, evaluate, and assess Contractor performance in their assigned areas; 2) periodically prepare a Contractor Performance Monitor Report (CPMR) for the PEB and provide verbal performance input as well; 3) recommend any needed changes to the PEMP for consideration by the PEB and FDO; and 4) maintain a performance dialogue with their respective BNI counterparts throughout the evaluation period.

C. Process & Schedule

Activity No.	Activity	Footnote	Days from Beginning of Evaluation Period		Dates - Evaluation Period 2014-B	
			From	To	Start	Finish
1	ORP Generates Draft PEMP		-100	-75	03/23/14	04/17/14
2	EM - Business Clearance		-75	-30	04/17/14	06/01/14
3	ORP PEMP Board Finalizes PEMP		-30	-23	06/01/14	06/08/14
4	ORP-BNI Negotiate PEMP		-23	-9	06/08/14	06/22/14
5	Final PEMP Execution	1	-9	-2	06/22/14	06/29/14
6	ORP Evaluates Performance		0	183	07/01/14	12/31/14
7	PEMs Submit Final Reports to PEB	2	183	183	12/31/14	12/31/14
8	Contractor Self-Assessment (S/A)		183	193	12/31/14	01/10/15
9	PEB Completes Report	3	183	201	12/31/14	01/18/15
10	PEB Briefs FDO		201	205	01/18/15	01/22/15
11	HQ EM HCA Review		205	219	01/22/15	02/05/15
12	FDO Briefs EM-1		219	226	02/05/15	02/12/15
13	FDO Briefs Under Secretary		226	233	02/12/15	02/19/15
14	FDO Briefs Acquisition Executive		233	240	02/19/15	02/26/15
15	HQ EM HCA Concurrence		240	247	02/26/15	03/05/15
16	FDO Determines Award Fee Amount		247	252	03/05/15	03/10/15
	Performance Period Begins					07/01/14
	Performance Period Ends					12/31/14

The total available award fee for this Evaluation Period 2014-B is $6,300,000.

In accordance with Federal Acquisition Regulation, Subpart 16.401(e)(3)(v), the contractor is prohibited from earning any award fee when the contractor's overall cost, schedule, and technical performance is below satisfactory.

DOE's expectation is that the Contractor will complete assigned Hanford Federal Facility Agreement and Consent Order and Consent Decree Milestone deliverables at least 30 days before they are due. DOE reserves the right to reduce the PEMP award fee determination if the Contractor fails to meet DOE's expectation.

D. Contractor Self-Assessment

Section B Clause B.7 *Award Fee Administration*, states:

> "Following each evaluation period, the Contractor may submit a self-assessment, provided such assessment is submitted within ten (10) calendar days after the end of the period. This self-assessment shall address both the strengths and weaknesses of the Contractor's performance during the evaluation period. Where deficiencies in performance are noted, the Contractor shall describe the actions planned or taken to correct such

deficiencies and avoid their recurrence. The Contracting Officer will review the Contractor's self-assessment, if submitted, as part of its independent evaluation of the Contractor's management during the period."

E. Incentive Ratings and Definitions

ORP will utilize the following ratings and definitions table to rate performance.

Table 1 - Award Fee – Incentive Ratings and Definitions

Assigned Numerical Rating	Adjectival Rating *(corresponding to Numerical Rating)*	Definition	Percentage of Award Fee Earned
91 to 100	Excellent	Contractor has exceeded almost all of the significant award-fee criteria and has met overall cost, schedule, and technical performance requirements of the contract in the aggregate as defined and measured against the criteria in the award-fee plan for the award-fee evaluation period.	91% to 100%
76 to 90	Very Good	Contractor has exceeded many of the significant award-fee criteria and has met overall cost, schedule, and technical performance requirements of the contract in the aggregate as defined and measured against the criteria in the award-fee plan for the award-fee evaluation period.	76% to 90%
51 to 75	Good	Contractor has exceeded some of the significant award-fee criteria and has met overall cost, schedule, and technical performance requirements of the contract in the aggregate as defined and measured against the criteria in the award-fee plan for the award-fee evaluation period.	51% to 75%
≤ 50	Satisfactory	Contractor has met overall cost, schedule, and technical performance requirements of the contract in the aggregate as defined and measured against the criteria in the award-fee plan for the award-fee evaluation period.	≤ 50%
0	Unsatisfactory	Contractor has failed to meet overall cost, schedule, and technical performance requirements of the contract in the aggregate as defined and measured against the criteria in the award-fee plan for the award-fee evaluation period.	0%

ORP will utilize a separate color-coded table (see attached) for informal periodic evaluations. The final evaluation will reflect the adjectival rating scale in Table 1.

Award Fee Objectives

The PEMP contains the following five Award Fee Objectives:

1. Critical Self-Analysis/Assessment/Discovery/Action
2. Environmental, Safety and Health
3. Quality Assurance Program
4. Project Leadership/Management (Cost, Schedule, & Scope on Project Performance)
5. Technical Issue Resolution (Cost, Schedule, & Scope on Technical Issue Performance)

Evaluation Process

ORP will evaluate and measure performance in each of the five Award Fee Objectives, using the criteria in each Objective. The evaluation will assign an Adjectival Rating and corresponding Award Fee Earned to each Award Fee Objective. See Table 1 - *Award Fee –Incentive Ratings and Definitions*. The FDO may consider any other pertinent factors in making a final fee determination.

Table 2 - Award Fee - Fee Earnings Calculation					
Award Fee Objective		Award Fee Available	Adjectival Rating	% of Award Fee Earned	Award Fee Dollars Earned
1	Self-Analysis/Assessment/ Discovery/Action	$1,260,000			
2	Environmental, Safety & Health	$1,260,000			
3	Quality Assurance Program	$1,260,000			
4	Project Leadership/Management (Cost, Schedule, & Scope on Project Performance)	$1,260,000			
5	Technical Issue Resolution (Cost, Schedule, & Scope on Technical Issue Performance)	$1,260,000			
Total Award Fee (Period 2014-B)		**$6,300,000**			

Award Fee Objective 1: Critical Self-Analysis/Assessment/Discovery/Action

Award Fee Criteria:

- Full Transparency - BNI conducts business in a manner that is fully transparent to ORP. Activities are demonstrated by open, clear, and well communicated management actions and technical and project documentation. Identified issues and trends are proactively shared with ORP.

- Effective Self Identification - BNI performs self-assessment and contractor assurance activities that proactively identify and trend WTP performance issues in time to implement effective preventive and corrective actions. Issues are proactively identified by BNI in advance of outside reviews. BNI develops and implements policies and procedures that establish a culture that rewards proactive self-identification and reporting of issues.

- Comprehensive and Effective Extent of Condition Reviews (EOCRs) - EOCRs are appropriately performed to determine whether issues have broader applicability to the project than where initially identified. EOCRs are rigorous, clearly documented, and conducted by trained personnel. EOCRs could be easily validated and verified by a third party. EOCRs result in corrective actions that resolve and prevent reoccurrence of the issue.

- Critical Self-Analysis Leading to Action and Learning - BNI performs critical self-analysis of WTP activities and processes and proactively identifies and takes action on systematic weaknesses leading to sustained continuous self-improvement.

Performance will be evaluated based on a wide range of contractor-initiated activities taken to self-evaluate performance, identify improvements, and implement prompt actions to proactively identify and resolve issues.

Award Fee Objective 2: Environmental, Safety, and Health

Award Fee Criteria:

- ISM
- Nuclear Safety (PDSA alignment with design)
- Environmental, Safety, and Health Programs

Performance will be evaluated on continuous Environmental, Safety, and Health improvement, which includes, but is not limited to:

1) Implementation of work hazard analysis and controls that result in a) improving work injury/illness performance, and b) no unplanned employee exposures to work place hazards;

2) Implementation of event investigation (review, cause analysis and action implementation) that results in effective organizational learning with the goal of eliminating recurring events;

3) Documented periodic management analysis of work site conditions and implementing strategies that result in improving WTP Project safety;

4) Implementation of programs and dissemination of expectations which will promote a robust Nuclear Safety Culture (NSC);

5) Implementation of a robust and effective ISM program, including a Safety Conscious Work Environment; and

6) Progress made in design realignment and maintenance of the design and safety basis.

Award Fee Objective 3: Quality Assurance Program

Award Fee Criterion:

- Quality Assurance Program

Performance will be evaluated on the effectiveness of the Contractor's Quality Management System in providing products and services that are satisfactory for their intended function. Effectiveness will be measured by the ability of the products and services to be used as originally produced or provided, versus the need for rework to reach an acceptable status. Self-identification of issues, as well as prompt, effective corrective actions, is required rather than having those issues identified by ORP or by external organizations. The Contractor will implement a robust quality culture. Additionally, significant progress on development and implementation of a Management Improvement Plan for Quality Assurance will be evaluated.

Award Fee Objective 4: Project Leadership/Management (Cost, Schedule, & Scope on Project Performance)

Award Fee Criteria:

- Project Performance
- Cost Performance & Efficiencies

The Contractor will be evaluated based on performance and change control performance against the performance measurement baseline and contract. ORP will rely on other objective and/or subjective cost performance elements to evaluate the Contractor's performance, which includes, but is not limited to:

1) How well did the Contractor control, meet or exceed its estimated baseline cost and schedules in the aggregate?

2) Are the performance measurement baseline and contract aligned as established in direction provided by ORP and through the approved change control process?

3) Is the reporting of progress reported in EVMS accurate?

4) How well did the Contractor project, report, and mitigate cost and schedule impacts to the contract?

5) How well did the contractor meet its internal plans for production against its internal planning documents, e.g., Quantity Unit Rate and Engineering Production Rates?

The Contractor will be evaluated on its ability to support the change control process, which includes, but is not limited to:

1) Timely submission of Contract Change Proposals (CCPs);

2) Timely submission (no later than 60 days from the date of price agreement) of Certificates of Current Cost or Price Data;

3) Submission of current, accurate, and complete CCPs that meet all Federal Acquisition Regulation (FAR) requirements, including but not limited to compliance with FAR Part 15;

4) Ability to provide to ORP fully compliant CCPs with BNI's initial submittal, without the need for significant fact-finding or re-submittal to meet FAR requirements. Initial CCP submittals shall be free of mathematical errors and omissions, and provide sufficient detail in the CCP (including organizational breakdown structure codes, labor grades, work breakdown structure, etc.) to allow ORP the ability to thoroughly evaluate the CCP;

5) Inclusion of a comprehensive, fully-supported technical proposal with each CCP (when applicable) which addresses, at a minimum, the appropriateness of the proposed skill mix and labor hours, types and quantities of proposed materials, traceability, and any other data pertinent to the CCP;

6) Cooperatively working with DOE, including timely submission of requests for additional data, resolution of issues and controversy in a professional manner; and

7) Responsiveness and support of facilitating negotiation of the contract modification proposals to complete the low-activity waste (LAW) facility, balance of facilities, and analytical laboratory facilities, and incorporate the capability for direct feed of the LAW facility.

Award Fee Objective 5: Technical Issue Resolution (Cost, Schedule, & Scope on Technical Issue Performance)

Award Fee Criteria:

- Technical Issue Ownership
- Management of Issue Resolution
- Quality of Deliverables
- Effectiveness of Technical Solutions
- Action Responsiveness

- Technical Issue Ownership - Lines of authority and accountability for technical issue resolution are clearly established and effectively implemented in the BNI organizational construct. Technical issue resolution teams are established with effective leadership assigned and senior management oversight and ownership. BNI-developed strategies for resolving technical and design issues are documented in appropriate plans with timely schedules for resolution and are accepted by ORP.

- Management of Issue Resolution - Work Plans for resolution of technical issues are flowed into the pretreatment and high-level waste project performance baseline. Scope, cost, and schedule elements are successfully managed to complete work activities in accordance with the work plans and the project baseline. BNI exhibits transparency in identification of issues and development of issue/risk mitigation strategies. BNI exhibits cross-functional organizational teamwork and manages resources to achieve desired objectives. Subcontractor resources are identified, appropriately funded, and actively managed to achieve technical objectives on cost and schedule. BNI demonstrates proactive resolution of project management issues.

- Quality of Deliverables – Key technical and project deliverables for resolution of technical issues are delivered with appropriate technical content and at the quality level expected by ORP. Work products include work plans, technical reports, status reports, and technical and status presentations.

- Effectiveness of Technical Solutions - Work products are thoroughly reviewed and endorsed by appropriate BNI management prior to delivery to ORP, resulting in general acceptance of major components of work products without requiring

significant rework or re-writing. Proposed technical solutions are technically defensible and represent best value to ORP. Technical solutions are peer-reviewed by subject-matter experts as appropriate.

- Action Responsiveness – BNI appropriately identifies, accepts and documents actions from internal and external reviews, forums or routine meetings. Actions are entered into the appropriate action tracking system and project schedules. Issue resolution and actions are generally completed on schedule. Actions responses are credible and approved at the appropriate level and accepted by ORP. Appropriate communications with ORP counterparts is established such that action status or closure is proactively provided to ORP.

- Cost, Schedule, and Scope – ORP will evaluate technical issue resolution performance for cost effectiveness, and any other known source of performance information (regardless of whether or not such information is reported by the Contractor). The evaluated information will include: (i) cost effectiveness, (ii) rework due to testing inefficiencies, and (iii) the monthly data. The schedule activities will be used in addition to the above mentioned items to rate schedule performance for completion of activities based on forecasted dates. ORP will evaluate the progress and quality of the technical issue resolution efforts and activities, as well as the final deliverables which must meet the requirements for an external review.

Attachment – Rating Chart Guide

		OBJECTIVE ITEMS		SUBJECTIVE ITEMS
Dark Blue "Excellent" Performance		- Objective measures are achieved on or ahead of time - Very high probability of achieving the outcome - Meeting all Cost, Scope, and Schedule objectives - Very high degree of transparency		- 100% of key areas meeting requirements - 100% of key deliverables will be met on time - 90% of sub or supporting areas are performing very well - No safety, security, or quality issues of note - Very high degree of self-identification and reporting deficiencies - Very high degree of transparency - Strong ISMS practices, timely reporting, critiqued/EOC whenever needed
Light Blue "Very Good" Performance		- Objective measures expected to be achieved on time - Very good probability of achieving the outcome - Expect to meet Cost, Scope, and Schedule objectives - High degree of transparency		- 100% of key areas meeting or close to meeting requirements - 100% of key deliverables are meeting or expected to meet requirements - Majority of sub or supporting areas are performing very well - At most minor safety, security, or quality issues of note - High degree of self-identification and reporting deficiencies - High degree of transparency - Strong ISMS practices, timely reporting, critiqued/EOC whenever needed
Green "Good" Performance		- Objective measures reasonably expected to be achieved on time - Reasonable probability of achieving the outcome - Expect to meet or be very close to Cost, Scope, and Schedule - Good degree of transparency		- Almost all key areas meeting or close to meeting requirements - Majority of key deliverables are satisfactory or better - Majority of sub or supporting areas are performing satisfactorily - Mostly minor safety, security, or quality issues of note - Good degree of self-identification and reporting deficiencies - Good degree of transparency - Infrequent deviation in ISMS practices, timely reporting, critiqued/EOC reviews

Yellow "Underperforming" "Needs improvement" "Elevated risk"		- Elevated risk of objectives not being achieved on time - Reasonable probability of not achieving the outcome - Expect to not meet Cost, Scope, or Schedule - Partial degree of transparency		- Majority key areas meeting or close to meeting requirements - Notable percentage of key deliverables are satisfactory or better - Notable percentage of sub or supporting areas are performing satisfactorily - Occasional mid-level safety, security, or quality issues of note - ~75% of issues are self-identified with most reporting in a timely manner - Partial degree of transparency - Clear deviations of ISMS practices, reporting, critiques, Extent of Condition reviews, safety basis/CONOPS/Engineering deviations that are generally infrequent or have minor consequences - Nominal NOV, PAAA, Fine, Injury, security infraction(s)
Red "Does not meet rqmts" "Failing or will fail"		- A clear (or high) risk of objectives not being achieved on time - High probability of not achieving the outcome - Expect to not meet or significantly miss Cost, Scope, or Schedule - Inadequate degree of transparency		- Overall most key areas meeting or close to meeting requirements - Inadequate percentage of key deliverables are satisfactory or better - Inadequate percentage of sub or supporting areas are performing satisfactorily - Too high a frequency of mid-level safety, security, or quality issues of note - Major safety, security, or quality issue - Less than ~75% of issues are self-identified and reported in a timely manner - Inadequate degree of transparency - Significant deviations of ISMS practices, reporting, critiques, Extent of Condition reviews, multiple safety basis/CONOPS/Engineering deviations or a significant deviation with nuclear safety or operational implications - Significant NOV, PAAA, Fine, Injury, security deviation(s)

Grey "Insufficient data" "Not able to assess"		- Insufficient data to assess at this time		- Insufficient data to assess at this time - Parties misaligned on the objective